



Financial Statements  
June 30, 2016

# Benton County Solid Waste Disposal Commission

# Benton County Solid Waste Disposal Commission

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June 30, 2016

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Benton County Solid Waste Disposal Commission  
Officials

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Name	Title	Representing
John Watson	Chairman	City of Vinton
David Becker	Co-Chairman	City of Atkins
Jennifer Zahradnik	Treasurer	Rural
Tim Yoder	Secretary	City of Walford
Dave Fish	Commissioner	City of Belle Plaine
Brian McNulty	Commissioner	City of Blairstown
Dough Kearns	Commissioner	City of Garrison
Mike Seeck	Commissioner	City of Keystone
Patricia Rausch	Commissioner	City of Mt Auburn
Loras Schulte	Commissioner	City of Norway
Gary Benson	Commissioner	City of Urbana
Jared Vogeler	Commissioner	City of Van Horne
Terry Hertle	Commissioner	Benton County
Bryce Brecht	Commissioner	Rural
Nancy Jensen	Commissioner	Rural
Diane Schmuecker	Commissioner	Rural
Denise Schwab	Commissioner	Rural
Tracy Seeman	Commissioner	Rural
Eric Werner	Manager	



## **Independent Auditor's Report**

To the Officials of the Benton County Solid Waste Disposal Commission

### **Report on the Financial Statements**

We have audited the accompanying financial statement of the Benton County Solid Waste Disposal Commission, as of and for the year ended June 30, 2016, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash basis financial position of the Benton County Solid Waste Disposal Commission, as of June 30, 2016, and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Other Information*

The other information, Management's Discussion and Analysis, the Schedule of the Commission's Proportionate Share of the Net Pension Liability and the Schedule of Commission Contributions information on pages 4 through 7 and on pages 17 through 19, has not been subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2017, on our consideration of the Benton County Solid Waste Disposal Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



Dubuque, Iowa  
January 19, 2017

The Benton County Solid Waste Disposal Commission (Commission) provides this Management's Discussion and Analysis of our annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2016. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

### **2016 Financial Highlights**

- The Commission's operating revenues for fiscal year 2016 were \$1,427,016 in comparison to \$1,169,576 in 2015.
- The Commission's operating expenses for fiscal year 2016 were \$855,069 in comparison to \$706,872 in 2015.

### **Using This Annual Report**

The Commission has elected to present its financial statement on the cash basis of accounting. The cash basis of accounting is a basis of accounting other than U.S. generally accepted accounting principles. Basis of accounting refers to when financial events are recorded, such as the timing for recognizing revenues, expenses and the related assets and liabilities. Under the cash basis of accounting, revenues and expenses and the related assets and liabilities are recorded when they result from cash transactions.

As a result of the use of the cash basis of accounting, certain assets and their related revenues and liabilities and their related expenses are not recorded in this financial statement. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

This annual report is presented in a format consistent with the presentation of Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the Commission's financial statement. The annual report consists of the financial statement and other information, as follows:

- *Management's Discussion and Analysis* introduces the financial statement and provides an analytical overview of the Commission's financial activities.
- *The Statement of Cash Receipts, Disbursements and Changes in Cash Balance* presents information on the Commission's operating receipts and disbursements, non-operating receipts and disbursements and whether the Commission's cash basis financial position has improved or deteriorated as a result of the year's activities.
- *Notes to Financial Statement* provide additional information essential to a full understanding of the data provided in the financial statement.
- *Other Information* further explains and supports the Commission's proportionate share of the net pension liability and related contributions.

## **Financial Analysis of the Commission**

### **Statement of Cash Receipts, Disbursements and Changes in Cash Balance**

The purpose of the statement is to present the receipts received by the Commission and the disbursements paid by the Commission, both operating and non-operating. The statement also presents a fiscal snapshot of the cash balance at year end. Over time, readers of the financial statement are able to determine the Commission's cash basis financial position by analyzing the increase and decrease in the Commission's cash balance.

Operating receipts are received for per capita assessments and gate fees from accepting solid waste. Operating disbursements are disbursements paid to operate the landfill. Non-operating receipts and disbursements are for interest on investments, equipment purchases and capital projects. A summary of cash receipts, disbursements and changes in cash balance for the years ended June 30, 2016 and 2015 are as follows:

# Benton County Solid Waste Disposal Commission

Management's Discussion and Analysis

June 30, 2016 and 2015

	2016	2015
Operating Receipts		
Per capita revenue	\$ 915,629	\$ 895,659
Gate fees	393,669	258,286
Recycling	37,154	9,452
Other operating revenues	80,564	6,179
Total operating receipts	1,427,016	1,169,576
Operating Disbursements		
Salaries and benefits	248,697	235,439
Planning and engineering	178,978	253,270
Site maintenance	199,227	57,230
Equipment rent	5,000	50,165
Other	223,167	110,768
Total operating disbursements	855,069	706,872
Change in Cash Balance before Non-Operating Receipts and Special Item	571,947	462,704
Non-operating Receipts (Disbursements)		
Interest income	25,016	23,479
Capital projects	(588,164)	(76,000)
Net non-operating receipts (disbursements)	(563,148)	(52,521)
Special Items		
Transfer of solid waste facility from County	-	1,941,953
Contribution from County	402,642	-
Total of special items	402,642	1,941,953
Change in Cash Balance	411,441	2,352,136
Cash Balance Beginning of Year	2,352,136	-
Cash Balance End of Year	\$ 2,763,577	\$ 2,352,136
Cash Balance		
Restricted for		
Closure/postclosure care	\$ 1,938,046	\$ 1,719,881
Tonnage fees retained	25,918	25,386
Total restricted cash balance	1,963,964	1,745,267
Unrestricted	799,613	606,869
Total cash balance	\$ 2,763,577	\$ 2,352,136



In fiscal year 2016, operating receipts increased \$257,440, over fiscal year 2015. The increase was primarily a result of an increase in tonnage being received. Operating disbursements increased \$148,197. The increase in operating disbursements was primarily due to an increase in leachate related disbursements. Capital projects disbursements increased \$512,164 due to the building of a new cell.

A portion of the Commission's cash balance, \$1,963,964 (71%), is restricted for closure and postclosure care and tonnage fees retained. State and federal laws and regulations require the Commission to place a final cover on the landfill site and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. The remaining cash balance, \$799,613 (29%), is unrestricted and can be used to meet the Commission's obligations as they come due.

### **Long-term Debt**

At June 30, 2016, the Commission had no debt outstanding.

### **Economic Factors**

The Commission continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for entity officials. Some of the realities which may potentially become challenges for the entity to meet are:

- Facilities and equipment at the entity require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- Annual deposits required to be made to closure and postclosure care accounts are based on constantly changing cost estimates and the number of tons of solid waste received at the facility.

The entity anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the entity's ability to react to unknown issues.

### **Contacting the Commission Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the commission's finances and to show the commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Benton County Solid Waste Disposal Commission, 7904 20<sup>th</sup> Avenue, Blairstown, Iowa, 52209.



Financial Statement

# Benton County Solid Waste Disposal Commission

Benton County Solid Waste Disposal Commission  
Statement of Cash Receipts, Disbursements and Changes in Cash Balance  
Year Ended June 30, 2016

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Operating Receipts	
Per capita revenue	\$ 915,629
Gate fees	393,669
Recycling	37,154
Other operating revenues	<u>80,564</u>
Total operating receipts	<u>1,427,016</u>
Operating Disbursements	
Salaries and benefits	248,697
Equipment rent	5,000
Machinery maintenance, labor and parts	55,628
Oil and gas	18,885
Planning and engineering	178,978
Site maintenance	199,227
Site utilities	9,895
Education	19,853
Office expenses	7,900
Training and travel	2,118
Legal and accounting	10,845
Insurance	24,228
Recycling	32,200
Assessment fees	34,474
Miscellaneous	<u>7,141</u>
Total operating disbursements	<u>855,069</u>
Change in Cash Balance before Non-Operating Receipts and Special Item	571,947
Non-operating Receipts (Disbursements)	
Interest income	25,016
Capital projects	<u>(588,164)</u>
Net non-operating receipts (disbursements)	<u>(563,148)</u>
Special Item	
Contribution from County	<u>402,642</u>
Change in Cash Balance	411,441
Cash Balance Beginning of Year	<u>2,352,136</u>
Cash Balance End of Year	<u><u>\$ 2,763,577</u></u>

Benton County Solid Waste Disposal Commission  
Statement of Cash Receipts, Disbursements and Changes in Cash Balance  
Year Ended June 30, 2016

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Cash Balance

Restricted for

Closure/postclosure care

\$ 1,938,046

Tonnage fees retained

25,918

Total restricted cash basis balance

1,963,964

Unrestricted

799,613

Total cash balance

\$ 2,763,577

**Note 1 - Summary of Significant Accounting Policies**

The Benton County Solid Waste Disposal Commission (Commission) was created under Iowa Code Chapter 28E (Agreement). The Commission is a voluntary joint undertaking of public entities in or near Benton County, Iowa and is an ongoing legal entity. The purpose of the Commission is to continuously study and implement methods and means to efficiently, economically and lawfully manage solid waste generated by the parties. Benton County is a party to the Agreement. A Memorandum of Understanding was entered into between Benton County, Iowa and the Commission wherein Benton County agreed to transfer to the Commission the ownership of real estate, equipment and machinery, including vehicles, and funds that were being held by the County relative to the current and future operation of the solid waste facility. The transfer was made effective July 1, 2014.

The Commission is composed of one possible representative from each of the fourteen member cities and seven possible representatives designated by the Benton County Board of Supervisors. The member cities are: Atkins, Belle Plaine, Blainston, Garrison, Keystone, Luzerne, Mount Auburn, Newhall, Norway, Shellsburg, Urbana, Van Horne, Vinton, and Walford.

**Reporting Entity**

For financial reporting purposes, the Commission has included all funds, organizations, agencies, boards, commissions, and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the entity to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

**Basis of Presentation**

The accounts of the Commission are organized as an enterprise fund. Enterprise funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services supported by user charges.

Enterprise funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**Basis of Accounting**

The Commission maintains its financial records on the basis of cash receipts and disbursements and the financial statement of the Commission is prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items, including the estimated payables for closure and postclosure care. Accordingly, the financial statement does not present the financial position and results of operations of the Commission in accordance with U.S. generally accepted accounting principles.

## Cash Balances

Cash balances are displayed in two components as follows:

**Restricted:** This consists of balances that are legally restricted by outside third-parties or by law through constitutional provisions or enabling legislation. Funds set aside for payment of closure and postclosure care and tonnage fees retained are classified as restricted.

**Unrestricted:** This consists of balances that do not meet the definition of restricted.

When expenditures are incurred for purposes for which both restricted and unrestricted funds are available, the Commission considers restricted funds to have been spent first.

## Note 2 - Cash and Investments

The Commission's deposits in banks at June 30, 2016, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The entity is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. However, the Commission did not hold any investments during the year and has not approved an investment policy.

## Note 3 - Pension Plan

**Plan Description** – IPERS membership is mandatory for employees of the commission, except for those covered by another retirement system. Employees of the Commission are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Pension Benefits** – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

A multiplier (based on years of service).

The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**Disability and Death Benefits** – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**Contributions** – Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the entity contributed 8.93 percent for a total rate of 14.88 percent.

The Commission's contributions to IPERS for the year ended June 30, 2016 were \$17,548.

**Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions** – At June 30, 2016, the Commission's liability for its proportionate share of the collective net pension liability totaled \$117,838. The collective net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the collective net pension liability was based on the Commission's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the Commission's proportion was 0.0024 percent, which was an increase of 0.0003 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Commission's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$9,938, \$22,656, and \$27,438, respectively.

There were no non-employer contributing entities to IPERS.

**Actuarial Assumptions** – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Rates of Salary Increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-Term Investment Rate of Return (effective June 30, 1996)	7.50 percent compounded annually, net of investment expense including inflation
Wage Growth (Effective June 30, 1990)	4.00 percent per annum, based on 3.00 percent inflation and 1.00 percent real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	28%	2.04%
Domestic Equity	24	6.29
International Equity	16	6.75
Private Equity/Debt	11	11.32
Real Estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(0.71)
	100%	



**Discount Rate** – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Commission will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Commission’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** – The following presents the Commission’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Commission’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.50%)	1% Increase (8.50%)
Commission's Proportionate Share of the Net Pension Liability	\$ 206,313	\$ 117,838	\$ 43,159

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

**Note 4 - Other Postemployment Benefits (OPEB)**

**Plan Description** – The Commission operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 3 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

**Funding Policy** – The contribution requirements of plan members are established and may be amended by the Commission. The Commission currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Commission and plan members are \$645 for single coverage and \$1,105 for family coverage. For the year ended June 30, 2016, the Commission contributed \$22,561 and plan members eligible for the benefits contributed \$5,640 to the plan.

**Note 5 - Closure and Postclosure Care**

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs. Estimated total cost consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

These costs for the Commission have been estimated to be \$1,039,731 for closure and \$1,676,650 postclosure care, for a total of \$2,716,381 as of June 30, 2016. The estimated remaining life of the landfill is 9 years, with approximately 86% of the landfill’s capacity used at June 30, 2016.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure care accounts to accumulate resources for the payment of closure and postclosure care costs. The Commission has begun accumulating resources to fund these costs and, at June 30, 2016, assets of \$1,938,046 are restricted for these purposes, of which \$724,296 is for closure and \$1,213,750 is for postclosure care. They are reported as restricted cash balance in the Statement of Cash Receipts, Disbursements and Changes in Cash Balance.

Also, pursuant to Chapter 567-113.14 of the Iowa Administrative Code (IAC), since the estimated closure and postclosure care costs are not fully funded, the Commission is required to demonstrate financial assurance for the unfunded costs. The Commission has adopted the dedicated fund financial assurance mechanism. Under this mechanism, the Commission must certify the following to the Iowa Department of Natural Resources:

- The fund is dedicated by local government statute as a reserve fund.
- Payments into the fund are made annually over a pay-in period of ten years or the permitted life of the landfill, whichever is shorter.
- Annual deposits to the fund are determined by the following formula:

$$NP = \frac{CE - CB}{Y}$$

NP = next payment

CE = total required financial assurance

CB = current balance of the fund

Y = number years remaining in the pay-in period

Chapter 567-113.14(8) of the IAC allows the entity to choose the dedicated fund mechanism to demonstrate financial assurance and use the accounts established to satisfy the closure and postclosure care account requirements. Accordingly, the Commission is not required to establish closure and postclosure care accounts in addition to the accounts established to comply with the dedicated fund financial assurance mechanism.

**Note 6 - Solid Waste Tonnage Fees Retained**

The commission has established an account for restricting and using solid waste tonnage fees retained by the commission in accordance with Chapter 455B.310 of the Code of Iowa. At June 30, 2016, the Commission had \$25,918 in unspent tonnage fees.

**Note 7 - Risk Management**

The Commission is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of insurance. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed insurance coverage during the past year.

**Note 8 - Compensated Absences**

Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Commission until used or paid. The Commission's approximate liability for earned vacation at June 30, 2016 was \$13,197. This liability has been computed based on rates of pay in effect at June 30, 2016.

**Note 9 - Special Item/Contribution from County**

On July 1, 2015, Benton County issued a \$402,642 General Obligation Solid Waste Disposal Note. The debt proceeds were transferred to the Commission to fund a new landfill cell. The note will be repaid by the County through the use of the County's debt service levy.

**Note 10 - Subsequent Event**

On July 14, 2016, the Commission authorized debt in the amount of \$210,000 to construct a new shop building and corresponding amenities. The loan was issued through a local bank with an interest rate of 3% and a maturity date of November 14, 2021.



Other Information  
June 30, 2016

# Benton County Solid Waste Disposal Commission

Benton County Solid Waste Disposal Commission  
Schedule of the Commission's Proportionate Share of the Net Pension Liability  
Iowa Public Employee's Retirement System  
Last Two Fiscal Years  
Other Information

	<u>2016</u>	<u>2015</u>
Commission's Proportion of the Net Pension Liability	0.0024%	0.0021%
Commission's Proportion of the Net Pension Liability	\$ 117,838	\$ 83,613
Commission's Covered-Employee Payroll	\$ 163,404	\$ 137,962
Commission's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	72.11%	60.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability.	85.19%	87.61%

In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30<sup>th</sup> of the preceding year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

Benton County Solid Waste Disposal Commission  
 Schedule of the Commission's Contributions  
 Iowa Public Employee's Retirement System  
 Last Two Fiscal Years  
 Other Information

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	2016	2015
Statutorily Required Contribution	\$ 17,548	\$ 14,592
Contributions in Relation to the Statutorily Required Contribution	17,548	14,592
Contribution Deficiency (Excess)	\$ -	\$ -
Commission's Covered-Employee Payroll	\$ 196,501	\$ 163,404
Contributions as a Percentage of Covered-Employee Payroll	8.93%	8.93%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Commission will present information for those years for which information is available.

### **Changes of Benefit Terms**

Legislation passed in 2010 modified benefit terms for current regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from regular membership to the protection occupation group for future service only.

### **Changes of Assumptions**

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.

- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.

- Adjusted male mortality rates for retirees in the Regular membership group.

- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.

- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.

- Modified retirement rates to reflect fewer retirements.

- Lowered disability rates at most ages.

- Lowered employment termination rates.

- Generally increased the probability of terminating members receiving a deferred retirement benefit.

- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.



Independent Auditor's Report on Internal Control  
Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*  
June 30, 2016

## Benton County Solid Waste Disposal Commission



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Officials of Benton County Solid Waste Disposal Commission:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Benton County Solid Waste Disposal Commission (Commission) as of and for the year ended June 30, 2016, and the related notes to the financial statement, and have issued our report thereon dated January 19, 2017. Our report expressed an unmodified opinion on the financial statement which was prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items 2016-A and 2016-B to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2016, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Commission and are reported in Part II of the accompanying Schedule of Findings. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **Commission's Responses to Findings**

The Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa  
January 19, 2017

**Part I: Findings Related to the Financial Statement:**

**Material Weaknesses**

**2016-A Preparation of Financial Statement**

**Criteria** – A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statement and accompanying notes to the financial statement by internal personnel of the entity.

**Condition** – As auditors, we were requested to draft the financial statement and accompanying notes to the financial statement, including the adjustments needed to modify the Commission's general ledger to the cash basis of accounting. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**Cause** – We recognize that with a limited number of office employees, the preparation of the financial statement is difficult.

**Effect** – The effect of this condition is that the year-end financial reporting is prepared by a party outside of the Commission. The outside party does not have the constant contact with ongoing financial transactions that internal staff have.

**Recommendation** – We recommend that Commission officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements internally.

**Response** – The Commission will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control. There will be no change until it is fiscally responsible to add additional staff.

**2016-B Segregation of Duties**

**Criteria** – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

**Condition** – The Commission has added some oversight procedures, but is unable to fully segregate receipt and posting functions. One person has primary control over gate fees, including cash receipts and charge accounts.

**Cause** – With a limited number of office employees, segregation of duties is difficult.

**Effect** – Since job functions are not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

**Recommendation** – We recommend that Commission staff review operating procedures in order to obtain the maximum internal controls possible.

**Part I: Findings Related to the Financial Statement: (continued)**

**Response** – With the limited number of office employees, it is impossible to achieve a perfect system of internal accounting control. We will continue to review the situation and assign incompatible duties to separate individuals whenever possible.

**Part II: Other Findings Related to Required Statutory Reporting:**

**2016-IA-A Questionable Expenditures** – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.

**2016-IA-B Travel Expense** – No expenditures of Commission money for travel expenses of spouses of Commission officials or employees were noted.

**2016-IA-C Board Minutes** – No transactions were found that we believe should have been approved in the Commission minutes but were not. However, the minutes, including the schedule of bills allowed and gross salaries, were not published as required by Chapter 28E.6(3) of the Code of Iowa.

**Recommendation** – The Commission should ensure the minutes, including the schedule of bills allowed and gross salaries, are published timely as required.

**Response** – This recommendation will be followed for future publications.

**2016-IA-D Deposits and Investments** – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa were noted.

**2016-IA-E Solid Waste Tonnage Fees Retained** – No instances of non-compliance with the solid waste fees used or retained in accordance with provisions of Chapter 455B.310 of the Code of Iowa were noted.

**2016-IA-F Financial Assurance** – The Commission has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113-14(6) of the Iowa Administrative Code.

**2016-IA-G Public Hearing for Public Improvements** – The Commission held a public hearing for the construction of a new building as required by Chapter 26.12 of the Code of Iowa, but did not advertise for sealed bids as provided in Chapter 26.3 of the Code of Iowa.

**Recommendation** – Before entering into a contract for a public improvement with an estimated total cost in excess of the competitive bid thresholds, the Commission should publish notice for bidders at least four but not more than forty-five days prior to the date for filing bids. Before entering into a contract, the Commission should also formally approve the project’s proposed plans, specifications, form of contract and estimated total cost.

**Response** – We will comply with Chapter 26.3 of the Code of Iowa in the future.

**Part II: Other Findings Related to Required Statutory Reporting: (continued)**

**2016-IA-H Unclaimed Property** – The Commission did not remit unclaimed property over a year old to the State Treasurer as required by Chapter 556.11 of the Code of Iowa.

**Recommendation** – The Commission should remit any unclaimed property to the State Treasurer annually before November 1<sup>st</sup>, as required.

**Response** – We will comply with Chapter 556.11 of the Code of Iowa in the future.